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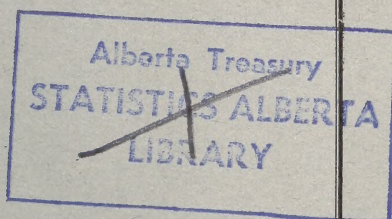
Alberta Government Telephones

ANNUAL REPORT

For the Fiscal Year Ending

MARCH 31st, 1931

PRINTED BY ORDER OF THE LEGISLATIVE ASSEMBLY



EDMONTON:
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1932

Alberta Government Telephones

ANNUAL REPORT

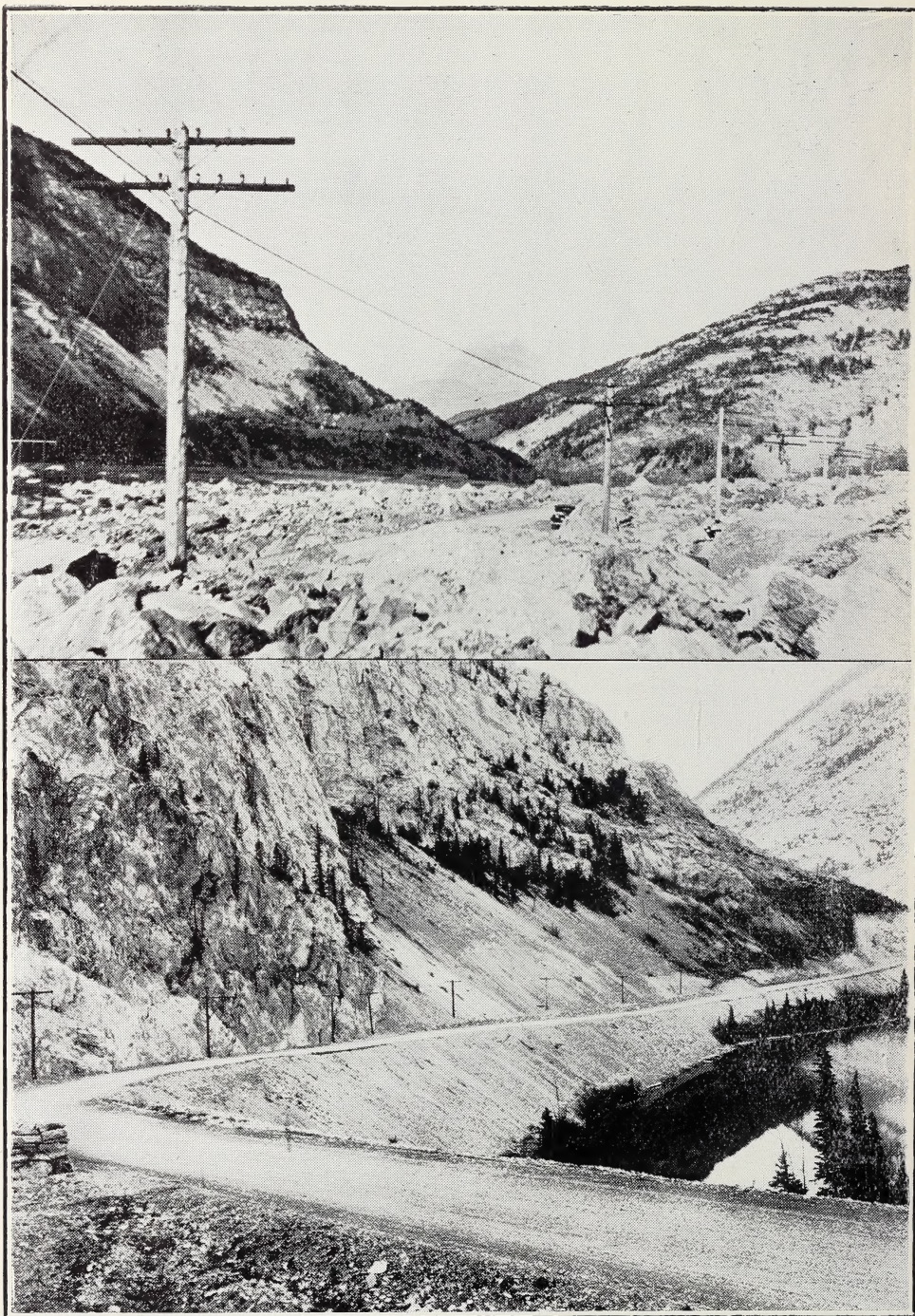
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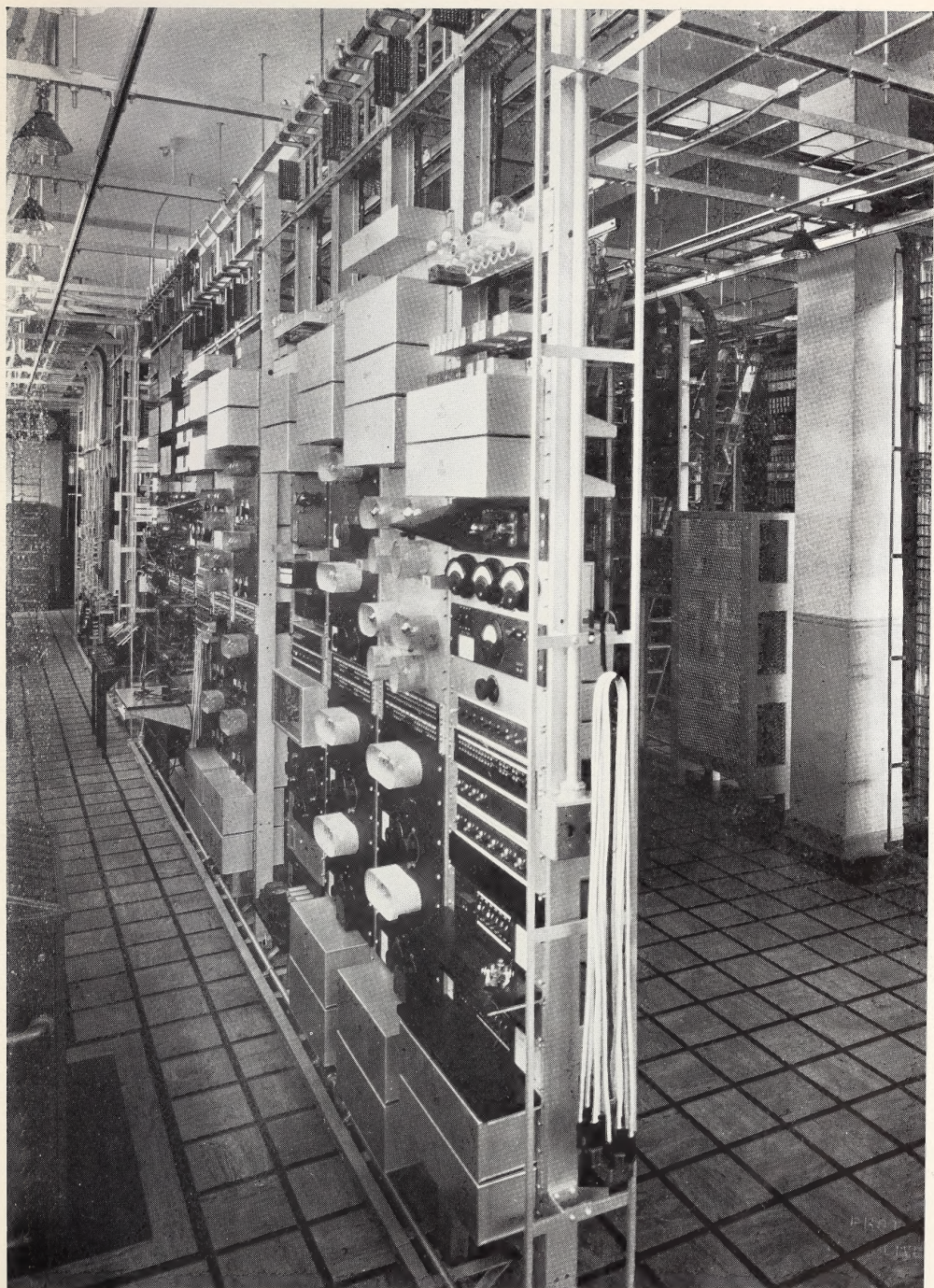
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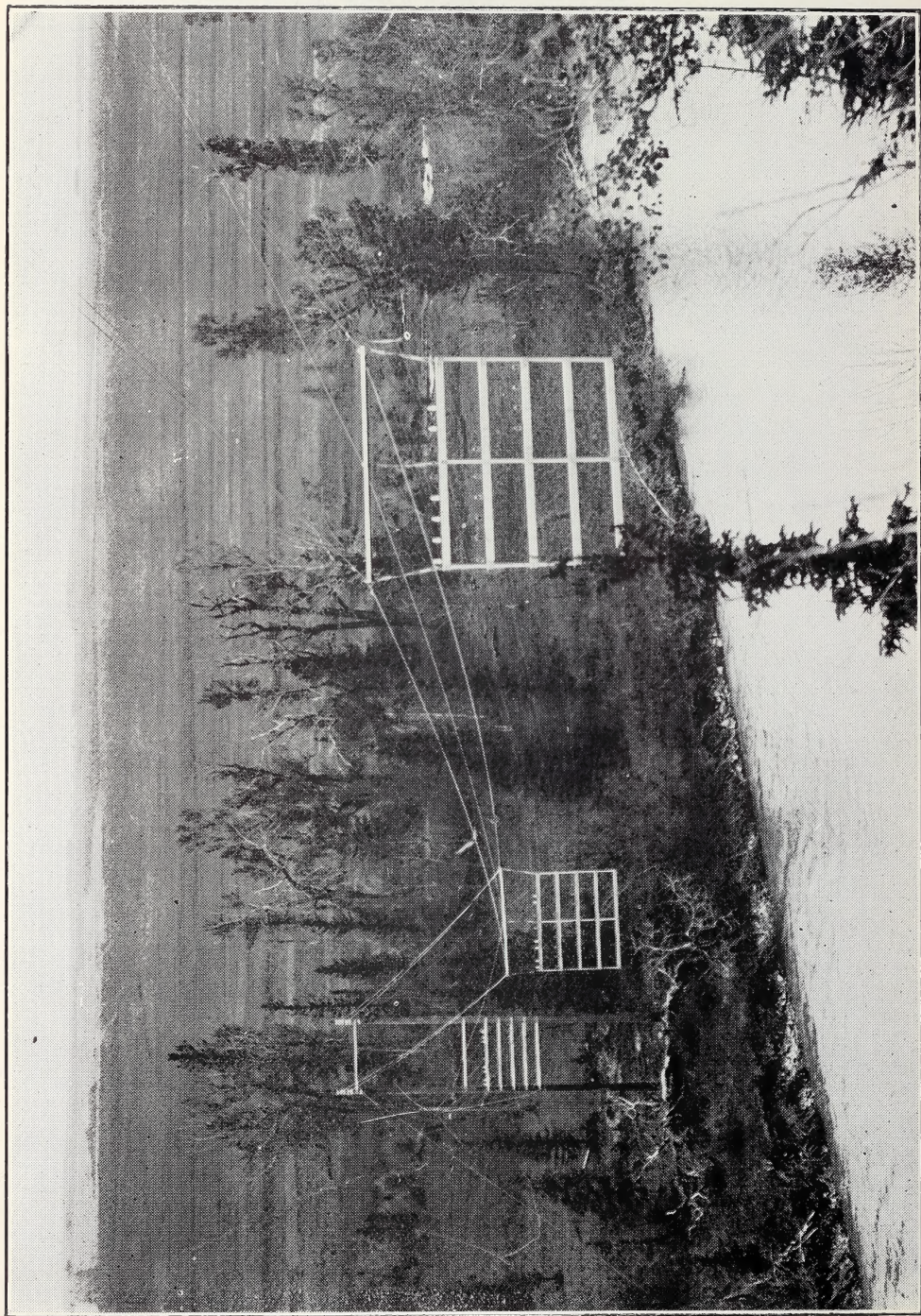
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The western end of the Alberta portion of the Trans-Canada Telephone Line enters the mountains through the rugged Crow's Nest Pass. The Top picture was taken in the famous Frank Slide, east of Blairmore. Here, massive rocks strewn over a large area and to a depth of many feet, create a scene of confusion and desolation; an everlasting reminder of the terrible disaster that overtook the little mining town of Frank some twenty-eight years ago. Crow's Nest Mountain can be seen in the background of the picture. In the lower picture the pole line is seen at the edge of the road that curves around picturesque Crow's Nest Lake,



Carrier Telephone Equipment on Long Distance Lines
Main Exchange Calgary



Catenary Crossing over Sheep Creek near Okotoks, Alberta

EDMONTON, Alberta, January 7th, 1932.

To His Honour

WILLIAM L. WALSH,

Lieutenant Governor of the Province of Alberta,

EDMONTON, ALBERTA.

SIR:—I have the honour to transmit the Nineteenth Annual Report of the Department of Telephones for the year ending March 31st, 1931.

I have the honour to be, Sir,

Your obedient servant,

VERNOR W. SMITH,

Minister of Railways and Telephones.

EDMONTON, Alberta, January 7th, 1932.

HON. VERNOR W. SMITH,

Minister of Railways and Telephones,

EDMONTON, ALBERTA.

Dear Sir.—I submit herewith the Nineteen Annual Report of the Alberta Government Telephones for the year ended March 31st, 1931.

The economic depression which has affected general business so much during the last twelve months is sharply reflected in our earnings, particularly for long distance service. Unfortunately there seems to be little reason to expect improvement in the immediate future.

The result of the year's operation is a deficit of \$144,-170.26 against which has been offset the undistributed surplus of former years amounting to \$104,499.61 leaving a net deficiency of \$39,670.65.

Except for this deficiency, all operating and fixed charges have been met and full provision made for Sinking Fund and Depreciation and Renewal Reserves.

The new Main Exchange Building at Calgary was completed during the year and is now in full occupation. Part of the building intended to take care of expansions of telephone equipment and apparatus in future years is presently leased to the Department of Lands and Mines.

Construction of the Trans-Canada Telephone line has been continued during the year and it is expected that the line will be open for Coast-to-Coast traffic over Canadian soil in the late Fall of 1931.

Local construction was limited and carried out only when strict necessity required.

OPERATION:

During the year Operating Revenues dropped from \$3,792,659.00 to \$3,555,992.00 or 6.24%. Long distance revenue showed the heaviest falling off, from \$1,434,848.00 to \$1,243,538.00 or 13.34%. The effect of economies introduced is shown in a reduction in operating costs of \$10,-128.00. The result of these economies will be more apparent in the figures for the next fiscal year.

Station losses are heavy and unfortunately there appears to be little hope of improvement in this direction.

The usual tables showing earning and expenses, and interest and sinking fund for the last eleven years follows:

	Telephone Earnings	Telephone Expenses	Number of Telephones
1920	\$1,930,884.00	\$1,377,116.00	42,854
1921	2,247,277.00	1,431,671.00	50,611
1922	2,359,551.00	1,380,564.00	53,421
1923	2,361,468.00	1,287,723.00	53,896
1924	2,399,080.00	1,242,842.00	54,215
1925	2,502,175.00	1,254,119.00	56,279
1926	2,772,372.00	1,266,519.00	56,930
1927	3,287,232.00	1,299,622.00	58,331
1928	3,622,237.00	1,364,108.00	60,222
1930	3,792,659.00	1,481,663.00	61,963
1931	3,555,992.00	1,471,534.00	57,837

Interest and Sinking Fund

1920	\$ 622,454.00
1921	991,030.00
1922	1,347,426.00
1923	1,340,686.00
1924	1,373,631.00
1925	1,362,943.00
1926	1,369,672.00
1927	1,357,296.00
1928	1,331,123.00
1930	1,411,550.00
1931	1,461,234.00

RURAL TELEPHONE SERVICE:

During the fiscal year we have lost 2,719 rural stations and the indications are that further heavy losses may be expected. The result is that the telephone system is left carrying a huge and unprofitable capital debt, involving large expenditures for maintenance and replacement appropriations and returning nothing in revenue.

Under the best conditions, rural telephones at present rates cannot be made to pay even their own way and when depression comes the resultant loss of telephones creates an almost impossible burden.

Concentration of areas served, by removal of extensions of lines now denuded of telephones and of isolated extensions into territories where there are so few telephones that the revenue is insufficient to pay even operating costs is suggested as one method of easing the burden over a period of time. This would have little effect unless increased revenues from new sources were forthcoming.

Two sources are open, assistance from public funds on the ground that these extensions were made for coloniza-

tion purposes and therefore for the general good, or, the imposition of a telephone tax on lands adjacent to rural lines. It appears the time is ripe for serious consideration of either or both sources.

THE CITY OF EDMONTON TELEPHONE SYSTEM:

The status of this case remains as it has been for the last four or five years. The connection between the two telephone systems remains on a basis which has been declared to be unfair to the Alberta Government Telephones. It would seem that present conditions make necessary further consideration of this proposal.

GENERAL:

No major works of any kind have been carried on or projected during the year excepting the completion of the Trans-Canada Telephone Line to which we have been pledged for several years.

Effort has been extended to effect economies to meet falling revenues but it is doubtful at the moment whether sufficient practical economies can be effected, without seriously impairing the service, to offset the losses which we have experienced and which, undoubtedly, we may expect during the next fiscal period ahead.

Appreciation of the services of our employees should be again recorded. Their interest and loyalty are valuable assets in trying times.

Your obedient servant,

J. D. BAKER,

Deputy Minister of Telephones.

COMMERCIAL

CONDENSED STATION REPORT, 1931.

Exchange Subscribers' Stations	32,922
Exchange Subscribers' Extensions	3,412
Exchange P.A.X. Sub-Stations	406
Exchange P.B.X. Sub-Station	2,824
Pay Stations	659
Toll Stations	280
Private A.B. Line Stations	42
	<hr/>
	40,545
Rural Subscribers' Stations	17,292
	<hr/>
TOTAL	57,837
	<hr/>

STATEMENT OF EXCHANGES AND TOLL OFFICES IN
THE PROVINCE, 1931.

Number of Alberta Government Telephone Exchanges	324	
Number of Alberta Government Telephone Toll Offices		280
Number of Alberta Government Telephone Exchange Stations.....		40,265
Number of Alberta Government Telephone Rural Stations		17,292
		<hr/>
		57,837
Number of Private Owned Party Lines.....	79	
Number of Private Owned Party Line Stations		1,136
Number of Connecting Exchanges (Edmonton, Edgerton, Banff, Eckville, Erixon)...	5	
Number of Connecting Exchange Stations.....		17,338
		<hr/>
TOTAL		76,311
		<hr/>

PLANT

TOLL WORK UNDERTAKEN AND COMPLETED

APRIL 1ST, 1930, TO MARCH 31ST, 1931.

Pole Miles	Wire Miles
44.25	789.75

Total Rural Mileage Built Same Period

	Pole Miles	Wire Miles	Subscribers
Road Allowance	96.75	168.00	154
Run-offs	20.50	20.50
	<hr/>	<hr/>	<hr/>
TOTAL	117.25	188.50	154
	<hr/>	<hr/>	<hr/>

TRAFFIC

GENERAL STATISTICS FOR YEAR ENDING MARCH 31ST, 1931.

Traffic Payroll Offices	39
Offices giving Continuous Service	120
Offices giving Semi-Continuous Service.....	5
Toll Centres	114
Tributary Offices	503
Number of L.D. "Out" Tickets completed and billed	2,678,988
Total number of Cities, Towns and Hamlets in Alberta having Telephone connection.....	1,088
Offices using Teletype Service for Departmental Business	3
Number of Physical L.D. Lines	322
Number of Phantom L.D. Lines	42
Number of Part Phantom and Part Physical.....	39
Number of Carrier L.D. Lines	8
Total Number of L.D. Lines	411
Number of Simplex Telegraph Lines.....	2
Phantom L.D. Circuit Mileage.....	4,138
Physical L.D. Circuit Mileage	20,779
Morse Simplex L.D. Circuit Mileage	358
Carrier L.D. Circuit Mileage	2,586

Included in the above data is the Peace River District which is composed of the following:

Toll Centres	4
Tributary Offices	44
Number of Physical L.D. Lines	11
Number of Phantom L.D. Lines.....	1
Total Long Distance Mileage	558

GOVERNMENT OF THE PROVINCE OF ALBERTA

ALBERTA GOVERNMENT TELEPHONES

BALANCE SHEET AS AT MARCH 31ST, 1931

ASSETS

Plant in Service:

Real Estate	\$ 1,609,717.54	
Equipment	4,511,950.71	
Exchange Lines	3,460,425.71	
Rural Lines	7,436,395.44	
Toll Lines	6,788,257.45	
	<hr/>	\$23,806,746.85

Inventory and Supplies:

Office Furniture and Fixtures..\$	70,749.11	
Tools and Vehicles	45,823.35	
Supplies	574,544.41	
	<hr/>	691,116.87

Current Assets:

Cash and Deposits	\$ 328,921.14	
Provincial Treasurer:		
Telephone Trust Account...	1,824.57	
Proceeds of Treasury Bills	1,196,996.71	
Accounts Receivable	465,284.80	
Interest Receivable	2,999.12	
Prepaid Expenses, etc.....	45,720.04	
Unbilled Custom Work and		
Sales	1,097.09	
	<hr/>	2,042,843.47

Special Funds:

Depreciation and Renewal Re-		
serve	\$ 1,486,399.19	
Sinking Fund	1,313,080.83	
Pension and Death Benefit		
Fund	234,291.53	
	<hr/>	3,033,771.55

Intangible Assets:

Province of Alberta Subven-		
tion	\$ 354,000.00	
Debenture Discount.....	643,746.69	
Adjustment of Account De-		
benture Interest	334,847.18	
Adjustment of Account Sink-		
ing Fund	56,228.81	
Loss on Adjustment of Inven-		
tories	300,000.00	
	<hr/>	1,688,822.68
Corporate Deficit		39,670.65
		<hr/>
		\$31,302,972.07

ALBERTA GOVERNMENT TELEPHONES

BALANCE SHEET (*Continued*)

LIABILITIES

Capital:

Debenture Debt	\$21,952,083.14	
Treasury Bills	3,969,500.00	
	<hr/>	
	\$25,921,583.14	
Borrowings from Reserve	1,106,227.62	
	<hr/>	
		\$27,027,810.76

Current:

Provincial Treasurer: Notes Payable	\$ 300,000.00	
Accrued Debenture Interest, not due	482,246.18	
Accrued Sinking Fund, not due	58,717.03	
Unearned Revenue, etc.	34,857.67	
	<hr/>	
		875,820.88

Reserves:

Depreciation and Renewal Reserve	\$ 1,486,399.19	
Sinking Fund Reserve	1,313,080.83	
Pension and Death Benefit Reserve	234,291.53	
Special Reserve	11,568.88	
	<hr/>	
		3,045,340.43
Province of Alberta Subvention		354,000.00
		<hr/>
		\$31,302,972.07

A. M. MITCHELL,
Auditor.

Edmonton, Alberta, June 25th, 1931.

I have audited the books and records of the Alberta Government Telephones for the fiscal year ended March 31st, 1931, and the above balance sheet and accompanying statements of earnings are correctly prepared therefrom.

Operations for the year resulted in a net loss of \$144,170.26. The surplus carried forward from March 31st, 1930 amounting to \$86,639.56, and a capital profit of \$17,860.05 arising from the sale of the old telephone building in Calgary, have been applied against this deficit, leaving a net corporate deficit of \$39,670.65 as at March 31st, 1931.

Depreciation of plant and equipment has been provided to the extent of existing depreciation and sinking fund reserves amounting in all to \$2,799,480.02. The total charge against earnings for depreciation for the year was \$907,349.88 as follows:

Direct Appropriations	\$792,754.14
Sinking Fund Contribution	114,595.74
	<hr/>
	\$907,349.88

Plant in service now amounts to \$23,806,746.85. No physical inventory has been taken since the Wray appraisal in 1918. Consideration should be given to the question of identifying units of plant in service with the present capitalization as soon as conditions become normal.

In addition, steps should be taken to increase the annual provision for depreciation; otherwise, the present fund will probably prove inadequate to meet future charges. The existing provision for depreciation consists of an annual charge of $3\frac{1}{2}\%$ of plant in service plus $\frac{1}{2}$ of 1% set aside in respect of debenture debt.

With respect to the amount placed in the sinking fund, it is pointed out that the total sinking fund as at March 31st, 1931, was more than offset by intangible assets and was, therefore, not available for depreciation purposes.

During the year only actual additions were charged to plant. Replacements and renewals and extraordinary repairs were charged to depreciation and renewed reserve in accordance with established telephone accounting practice.

A physical inventory of supplies was taken at January 31st, 1931, and priced at cost and the records adjusted accordingly.

Borrowings from the depreciation and renewal reserve fund for the purpose of financing construction amount to \$1,106,227.62. Interest at 5% is provided on these borrowings.

Examination of statistics and estimates covering the pension fund indicate that the yearly contributions should be increased in order to avoid heavy expense at some future date for retirement allowances.

Subject to the foregoing remarks, I certify that, in my opinion, the above balance sheet is properly drawn up so as to show the financial position of the Alberta Government Telephones as at March 31st, 1931, and the accompanying relative statement of earnings fairly states the result of operations for the fiscal year ended at that date.

JAMES C. THOMPSON, C.A.,

Provincial Auditor.

GOVERNMENT OF THE PROVINCE OF ALBERTA
ALBERTA GOVERNMENT TELEPHONES
CONDENSED STATEMENT OF EARNINGS
FOR THE YEAR ENDED MARCH 31ST, 1931.

<i>Telephone Operating Revenue:</i>	
Exchange Earnings	\$ 1,624,326.94
Rural Earnings	602,269.00
Toll Earnings	1,243,537.99
	\$ 3,470,133.93
<i>Telephone Operating Expense:</i>	
Operation	\$ 1,060,080.52
Maintenance	427,735.14
	1,487,815.66
Net Telephone Earnings	\$ 1,982,318.27
<i>Add: Sundry Earnings:</i>	
Directory Revenue	\$ 45,793.30
Miscellaneous Revenue	56,345.53
Interest Earned	28,283.47
	130,422.30
Total Gross Income	\$ 2,112,740.57
<i>Deduct:</i>	
Interest	\$ 1,319,548.86
Contingencies	515.12
Commission and Exchange	9,496.97
	1,329,560.95
Operating Surplus	\$ 783,179.62
<i>Other Deductions:</i>	
Sinking Fund Contribution.....	\$ 114,595.74
Pension Fund Contribution	20,000.00
	134,595.74
Balance Net Earnings	\$ 648,583.88
Allowance for Depreciation and Replace- ment Reserve	792,754.14
	\$144,170.26
Net Deficit for the Year	\$144,170.26
SURPLUS ACCOUNT	
Undistributed Surplus—March 31st, 1930.....	\$ 86,639.56
Add Capital Profit, Sale of Calgary Building, 1930	17,860.05
	\$104,499.61
Net Deficit for Fiscal Year, 1930-31.....	\$144,170.26
Corporate Deficit—March 31st, 1931	\$ 39,670.65

Certified correct,

A. M. MITCHELL,
Auditor.

GOVERNMENT OF THE PROVINCE OF ALBERTA
ALBERTA GOVERNMENT TELEPHONES
DEPRECIATION AND REPLACEMENT RESERVE
AS AT MARCH 31ST, 1931.

Reserve as at March 31st, 1930\$ 1,432,862.92

Additions: Fiscal Year 1930-31:

Reserve Contribution	\$792,754.14	
Bank Interest	2,066.80	
Interest on Reserve Investments (Prov. of Alta. Debentures)...	15,288.39	
Interest on Reserve Funds In- vested in Plant	53,512.29	
Fire Insurance Indemnity	200.00	
		863,821.62
		<u>\$ 2,296,684.54</u>

Charges to Reserve 1930-31:

Plant Displaced (Net)	\$472,444.96	
Cost of removing Plant	70,871.04	
Cost of Extraordinary Repairs	35,703.69	
Cost of Repairs, re-arrangements, etc., on replacement estimates	185,538.45	
Supervision, Engineering and other associated Reserve charges	38,907.13	
Inventory and Supplies and other miscellaneous adjustments	6,820.08	
		810,285.35
		<u>Reserve Fund as at March 31st, 1931..\$ 1,486,399.19</u>

Made up as follows:

Cash Imperial Bank, March 31st, 1931.....	\$	64,360.15
Investments: Prov. of Alta. 6% Debentures due May 1st, 1951 par \$272,000.00, Book Value March 31, 1931		308,516.36
Accrued Interest on Investments to March 31, 1931		6,363.15
Accrued Bank Interest March 31, 1931		931.91
Investments in Working Plant March 31, 1930	\$	1,070,246.54
*Additional Investment in Plant March 31, 1931		35,981.08
		<u>Total Investments in Plant, March 31, 1931 1,106,227.62</u>
		<u>\$ 1,486,399.19</u>

Certified correct,

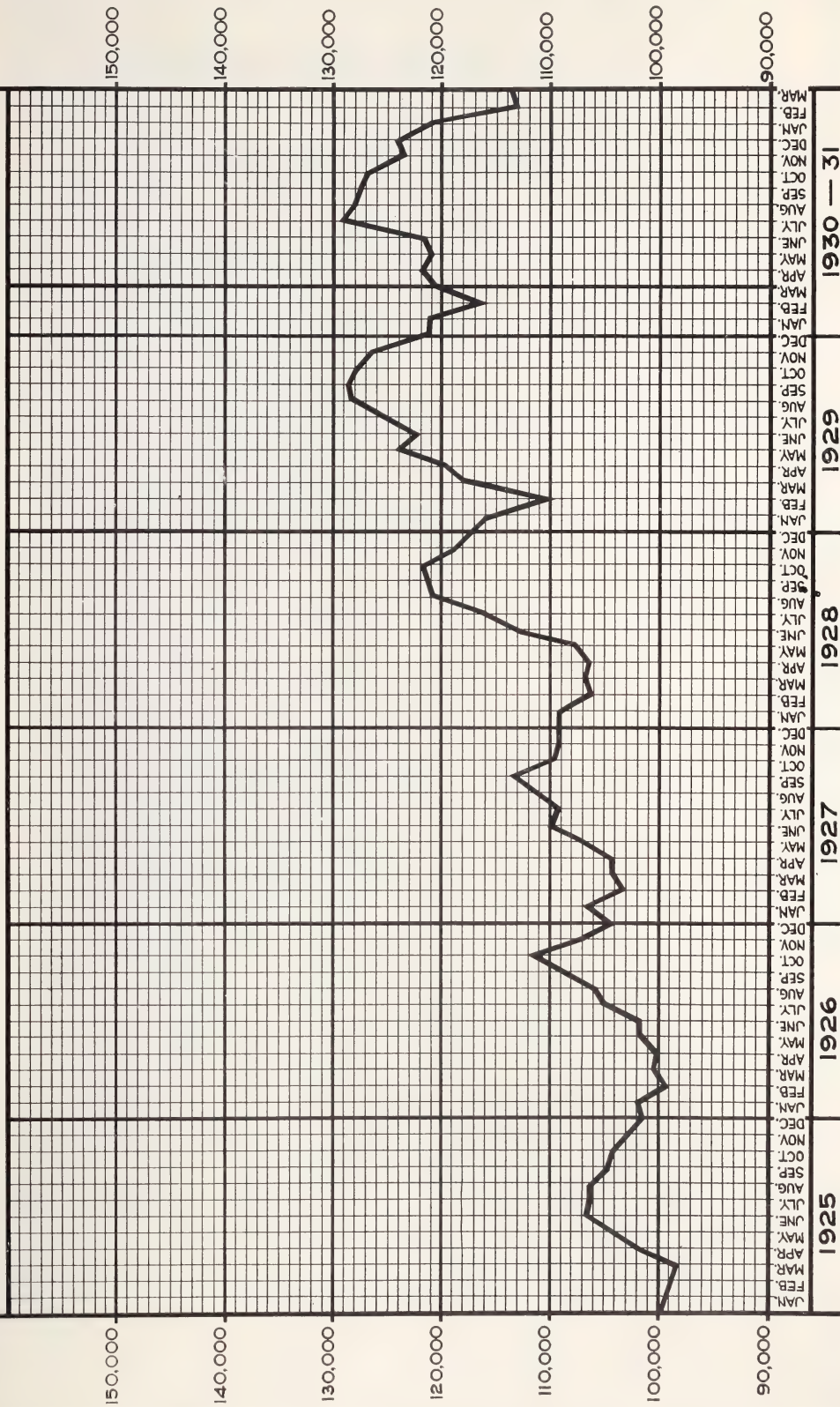
A. M. MITCHELL,
Auditor.

DOLLARS

TELEPHONE OPERATING COSTS

①

DOLLARS

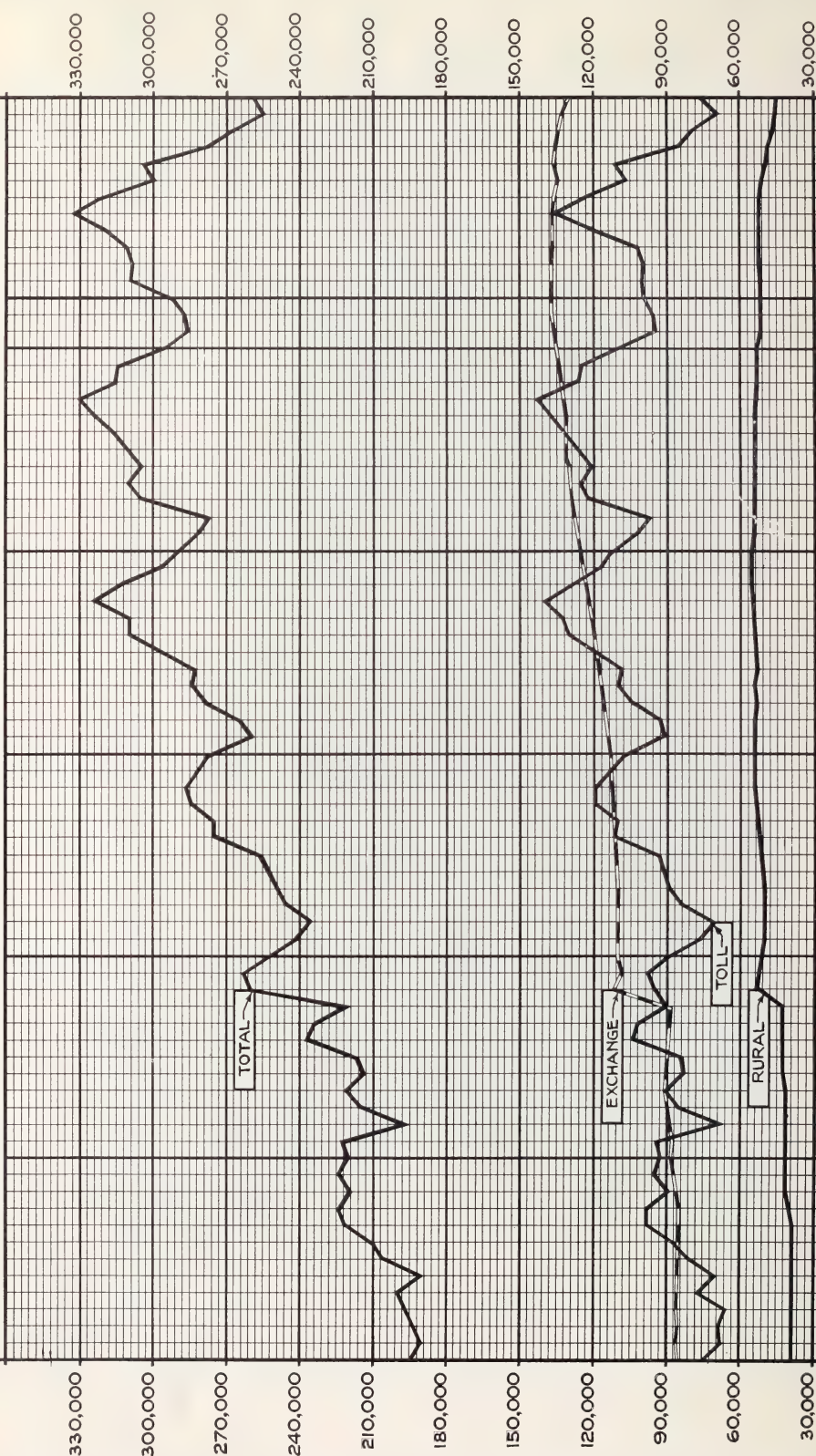


TELEPHONE REVENUES

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DOLLARS

DOLLARS



1930 — 31

1929

1928

1927

1926

1925

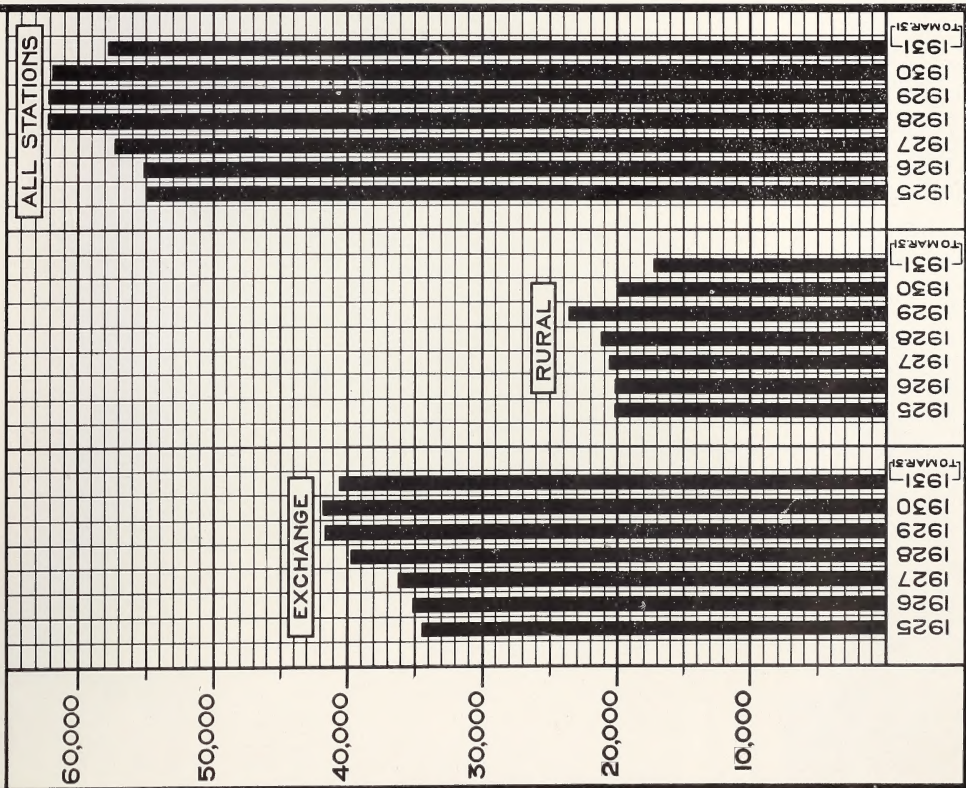
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EXCHANGE

TOTAL

STATION GROWTH

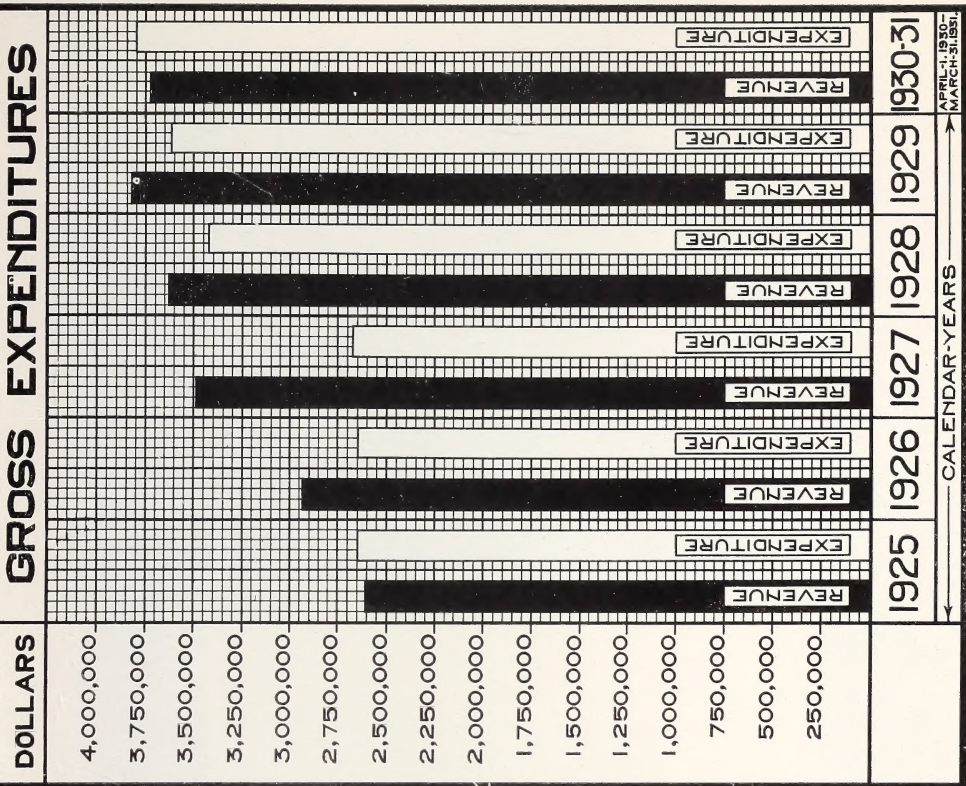
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COMPARISON OF

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GROSS REVENUES AND GROSS EXPENDITURES



CALENDAR YEARS

APRIL 1, 1930 - MARCH 31, 1931

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Alberta Government Telephones.
Annual report.
1931

Alberta Treasury
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